

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Update on State Legislation

ITEM NUMBER: 6a

ATTACHMENT(S): 4

ACTION: X

MEETING DATE: June 6, 2002

INFORMATION: _____

PRESENTER: Ed Derman

SUMMARY OF STATE LEGISLATION

Staff has prepared the attached analyses and recommended positions on the following measures for the Board's consideration.

<u>Attachment</u>	<u>Bill Number</u>	<u>Author</u>	<u>Subject</u>
1	AB 979	Cedillo	Paid Contribution for Military Leave
2	AB 2767	Pavley	Study on GPO and WEP
3	SB 1983	Soto	Use of Unused Sick Leave and Projected Service for Enhanced Benefits; Authorize CalSTRS Investments in Employer Property
4	Legislative Summary		

Mr. Derman will provide a verbal update at the meeting.

Assembly Bill 979

Assembly Member Cedillo (As amended 5/9/02)

Position:

Support (Staff recommendation)

Proponents:

CSEA (Co-Sponsor), SEIU (Co-Sponsor), CFT, CA State Firefighters' Association, CA/NV Conference of Operating Engineers

Opponents:

None known

SUMMARY

Assembly Bill 979, among other things, exempts members of the Defined Benefit (DB) Program and participants in the Cash Balance (CB) Benefit Program called to active military duty between September 11, 2001 and July 30, 2005, from paying the required member contributions, for up to one year, to receive retirement benefits for their military service.

HISTORY

Chapter 965, Statutes of 1998 (AB 2765—Assembly PER&SS), the California State Teachers' Retirement System (CalSTRS) annual technical housekeeping bill, among other things, makes technical changes to the Teachers' retirement Law (TRL) that allow participants in the CB Benefit Program to receive service credit for time served on active military duty.

Chapter 680, Statutes of 1996 (SB 1877—Rogers) makes changes to the laws affecting CalSTRS, the California Public Employees' Retirement System, and '37 Act County Retirement Systems to conform with the federal Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA). It provides for a five-year limit on an individual's cumulative length of absence from a position of employment by reason of service in the uniformed services for the purposes of retirement benefits and requires employers to pay their share of retirement contributions for the period the member was on active duty.

Chapter 543, Statutes of 1991 (SB 1171—Senate PE&R), the CalSTRS annual technical housekeeping bill, among other things, allows DB Program members who served on active military duty in the Persian Gulf conflict to receive DB Program service credit for the time spent on military leave between August 1, 1990 to January 1, 1992, without cost to the member or employer.

Chapter 787, Statutes of 1979 (SB 586—Garcia) provides a uniform method for calculating the amount a DB Program member must pay to receive additional service credit, regardless of the type of service or approved leave for which the member elects to receive credit.

BACKGROUND

The federal USERRA strengthened public and private sector employment protections for reservists and members of the National Guard called to active duty. CalSTRS implemented these protections with the passage of Chapter 680, Statutes of 1996 (SB 1877—Rogers), which permitted members of the DB Program and participants in the CB Benefit Program in the reserves and National Guard to purchase additional service credit (in the case of the DB Program) or make contributions (in the case of the CB Benefit Program) for their time spent on military duty away from employment, whether for active, inactive or training purposes. To purchase military service, members pay the employee contributions based on the compensation earnable they would have received had they not been absent. CalSTRS employers pay their normal contribution for their returning employees' military service based on compensation earnable only if the member elects to purchase their service and make the employee contributions. Under USERRA, military service not purchased by a member of the DB Program does, however, count towards plan vesting within specified limits. CalSTRS employers are required to notify their eligible returning employees of these options upon their return to the classroom.

CalSTRS employers are required to notify the System upon reemployment of a member following an eligible period of service in the uniformed services. The employer calculates the amount of member and employer contributions required for the eligible period of uniformed service. CalSTRS verifies the employer's calculations, and the employer must then remit the required employer contributions within 60 working days of the date they first notified the System of the member's reemployment. The contributions are based upon the creditable compensation that would have been earned by the member if he or she had been continuously employed in the position or positions in which he or she was employed immediately prior to the eligible period of service. When the member's creditable compensation is not reasonably certain, the contributions are based on the member's average compensation earnable during the 12-month period immediately preceding the eligible period of service in the uniformed services. Currently, participants in the CB Benefit Program in the reserves and National Guard are also allowed to purchase their time away from the classroom performing military service in much the same manner as members of the DB Program.

Prior to the enactment of Chapter 680 in 1996, which implemented USERRA, CalSTRS allowed members to purchase permissive service credit for time served on active military duty (including in the uniformed auxiliary) or the full-time paid service of the American Red Cross prior to September, 1957 if the service was performed either during war or times of national emergency or during peacetime if they were drafted. In order to receive permissive service credit, eligible members were required to pay both the employer and employee contributions for the service they would have performed in the classroom. CalSTRS members who performed active duty service prior to 1996 remain eligible to purchase or receive service credit for their former active duty service.

Eligible members have previously been exempted in statute from paying the required contributions if they served on active military duty during specified time periods that coincide with WWII and the Korean, Vietnam and Persian Gulf conflicts. In order to receive service

credit paid by CalSTRS, the eligible member submitted their application and documentation to CalSTRS, and the employer submitted their records for the period the member would have performed creditable service. The costs associated with the forgoing of member and employer contributions in these previous wars and conflicts were absorbed by the System.

DISCUSSION

Among other things, Assembly Bill 979:

- Eliminates the requirement that a DB Program member pay contributions for the eligible period of service in the uniformed services if the service was performed prior to July 30, 2005, and the member entered that service on or after September 11, 2001.
- Eliminates the requirement that a CB Benefit Program participant pay the employee contributions the participant would have made to their employee account as a condition of his or her account being credited for the eligible period of service in the uniformed services if the service was performed prior to July 30, 2005, and the participant entered that service on or after September 11, 2001.
- Limits the exemption on the payment of employee retirement contributions to one year.
- Prohibits DB Program members and CB Benefit Program participants from receiving service credit for military service performed after the close of the War on Terrorism.
- Specifies that employers of DB Program members and CB Benefit Program participants exempted from paying employee contributions must continue to make the required employer contributions.

According to the author, AB 979 provides public employees in school districts many of the benefits that were recently extended to state employees, and will help ease the financial burden that results from serving our country during this time. He believes it is important to assist these public employees and their families, who are stressed and making a tremendous sacrifice with the absence of a parent and spouse.

Under this bill, the DB Program member or CB Benefit Program participant returning to employment after a period of qualifying military service would submit his or her application to receive service credit in the same way as he or she would to purchase that time as additional service credit. However, the member or participant would not be required to submit payment for the employee contributions normally required by CalSTRS. The employers' reporting procedures and payments to the system would remain unchanged.

AB 979 is similar to previously enacted legislation that provided CalSTRS members who served on active duty in the armed forces, reserves, and National Guard during times of armed conflict, full service credit for their eligible military service at no cost to the member. However, under this bill, the cost to CalSTRS is approximately half of what it otherwise would have been in prior

legislation, because Chapter 680, which was enacted after the Persian Gulf conflict, requires employers to continue to pay their portion of the required contributions to the System.

FISCAL IMPACT

Benefit Program Costs – Following the Persian Gulf conflict, approximately 100 members of the DB Program called to active military duty applied to receive service credit for that eligible period. If 100 of the DB Program members apply to receive service credit or be credited for contributions for the maximum allowable year, staff estimates a cost to the Teachers' Retirement Fund of approximately \$400,000. If twenty participants of the Cash Balance Benefit Program apply to receive credit for the eligible period, the additional cost to the Plan would be approximately \$7,090.

Administrative Costs – Minor and absorbable

RECOMMENDATION

Support. Previously, the Board has sponsored legislation to allow CalSTRS members who served on active duty in the armed forces, reserves, and National Guard in the Persian Gulf, Vietnam, Korea, and World War II, to receive full CalSTRS service credit, at no cost to the member, for their eligible military service. This legislation is consistent with past practice to provide service credit for military service during times of conflict or national emergency. It also is consistent with the treatment provided by other California public retirement systems.

Assembly Bill 2767

Assembly Member Pavley (As amended 4/24/02)

Position:

Support (Staff recommendation)

Proponents:

California State Parent Teacher Association

Opponents:

None known

SUMMARY

Assembly Bill 2767 requires the Legislative Analyst's Office (LAO) to conduct a study of the impact of the federal Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) on current and retired public employees, including teachers in California, who are eligible to receive Social Security benefits. The bill requires the LAO to recommend specific actions that the State can take to mitigate and reduce the impact of the WEP and GPO on teachers and retired teachers in California. The LAO would complete the study and report its findings and recommendations to the Legislature and the Governor on or before July 1, 2004.

HISTORY

Resolution Chapter 66, Statutes of 2001 (AJR 3—Leonard) requests that Congress repeal the GPO and WEP on Social Security benefits.

Resolution Chapter 94, Statutes of 2001 (SJR 4—Soto) requests that Congress eliminate the application of the GOP and the WEP on Social Security benefits.

CURRENT PRACTICE

California State Teachers' Retirement System (CalSTRS) members, and other government workers representing about 4 percent of the total national workforce, do not pay Social Security payroll taxes on earnings for their government service. If these workers receive a Social Security benefit, either due to other employment that was covered by Social Security, or by being a spouse or surviving spouse of a person covered by Social Security, the Social Security benefit paid to that government worker may be reduced. CalSTRS, however, does not reduce the retirement benefit it pays to a person who receives a Social Security benefit. CalSTRS does not have statistical data on member eligibility for Social Security or on those retired members whose Social Security benefit is reduced due to their receipt of a pension from CalSTRS. The Social Security Administration has not released such information to CalSTRS.

The reduction in Social Security benefits that are paid for a worker's own earnings is referred to as the WEP. Under the WEP, the percent of income replaced in the first tier is reduced from 90 percent of the first \$592 of covered earnings to 40 percent of the first \$592, for persons first eligible for a benefit in 2001. This means that a recipient's Social Security benefit can be reduced by up to \$296 per month.

There are exceptions and limitations to the application of the WEP. First, the WEP does not apply if the member was eligible to retire from CalSTRS before 1986. In addition, if the recipient has more than 20 years of what are considered "substantial earnings" covered by Social Security (equal to \$15,750 in 2002), the reduction is not as large. For example, if the recipient has 21 years of substantial earnings, the first tier percentage is 45 percent, and that percentage increases by five percentage points for each year of substantial earnings. After 30 years of substantial earnings, the WEP is not applied at all to a person who also receives a pension from work not covered by Social Security. In addition, the amount of the reduction in the Social Security benefit as a result of the WEP cannot exceed 50 percent of the governmental pension. For example, if the governmental pension was \$500 per month, the adjustment in the monthly Social Security benefit due to the WEP could not exceed \$250.

Social Security benefits also are reduced for spouses, ex-spouses, surviving spouses and surviving ex-spouses who receive a pension, such as from CalSTRS, for work not covered by Social Security. This reduction is referred to as the GPO. Under the GPO, the Social Security benefit is reduced by two-thirds of the CalSTRS retirement allowance. If two-thirds of the CalSTRS allowance equals or exceeds the amount of the member's benefit from Social Security, the member will not receive a benefit from Social Security. (This does not affect the member's eligibility for Medicare benefits). Individuals are exempt from the GPO if they were eligible to retire from CalSTRS prior to December 1982 and met the Social Security spousal benefit requirements in effect in January 1977. Given the demographics of the CalSTRS population, and the size of the reduction under the GPO compared to the WEP, the GPO probably has a greater general impact on CalSTRS members than does the WEP.

DISCUSSION

AB 2767 would have no direct impact on CalSTRS current practice. However, the study would analyze the impact of the federal WEP and GPO on public employees in California, including teachers and retired teachers. The study would advocate specific actions that the State could implement to reduce the impact of the WEP and GPO on retired public employees. The study will determine and report on the number of current retirees and future retirees that will receive reduced Social Security benefits as a result of the WEP and GPO. The study will also find whether the federal WEP and GPO deter a private sector worker from entering the teaching or public safety professions because of the impact such service has on the member's Social Security benefits.

This bill is intended to find ways to mitigate the impact that provisions of the Social Security Act is believed to have on limiting the ability of school districts to recruit teachers, particularly those who have been employed elsewhere. The author believes that there is a range of actions the State could take reduce the impact of WEP and GPO on teachers' retirement benefits such as providing additional funding for increased benefits, setting up 401(k)-type accounts for teachers, or providing additional opportunities for teachers to join or change their coverage to the California Public Employees' Retirement System. The author hopes that the study will address a wide range of options and associated costs.

FISCAL IMPACT

Benefit Program Costs – None

Administrative Costs – Minor and absorbable

RECOMMENDATION

Support. The study will evaluate and recommend federal actions that the State may implement to mitigate and reduce the WEP and GPO on public employees and retirees. Specifically, the study will analyze the impact of the federal WEP and GPO on teachers and retired teachers in California.

Senate Bill 1983

Senator Soto (As amended 4/10/02)

Position:

Sponsor (Staff recommendation)

Proponents:

ACSA, CalSTRS, CTA, CRTA

Opponents:

None known

SUMMARY

Senate Bill 1983 makes the following minor changes to the benefit and investment programs administered by the California State Teachers' Retirement System (CalSTRS):

- Includes (1) the period of disability for selected members who received a Disability Allowance under Coverage A, and (2) up to .2 years of unused sick leave in determining eligibility for career-based enhancements to Defined Benefit (DB) Program allowances, such as single year final year compensation, the career factor and the longevity bonus.
- Allows a member receiving an allowance under Options 6 or 7 to name a new beneficiary after a member's beneficiary dies. In addition, the bill requires the Teachers' Retirement Board (Board) to submit a report to the Legislature, as specified, that evaluates existing options and makes any appropriate recommendations to change the options based on the needs of the members and their beneficiaries.
- Allows CalSTRS to acquire and develop surplus land owned by school districts through joint ventures and limited partnerships for sale to third parties and leaseback to school districts.

HISTORY

Chapter 1006, Statutes of 1998 (AB 1102—Knox) extends eligibility to receive credit at retirement for unused sick leave to members of CalSTRS DB Plan who became members on after 7/1/80, and who retire on or after 1/1/98.

Chapter 1076, Statutes of 1998 (SB 2126—Schiff), among other things, allows school districts, county offices of education and community colleges to participate in the CalSTRS credit enhancement program, under which CalSTRS issues letters of credit that enhance the value of approved debt issued by local agencies.

AB 430 (Cannella—1996) would have allowed any member who retired prior to 1/1/91 under Option 2 or 3, and whose beneficiary had died prior to 1/1/95 and no new option beneficiary had been named by the retired member, to return to the unmodified allowance. The bill was held in the Assembly.

SB 1658 (Costa—1996) would have required the Board to conduct a sample survey to determine the number of members and cost for those who retired before 1/1/91 with an Option 2 or 3 to return to the unmodified allowance if the option beneficiary died prior to 1/1/95. The Board agreed to conduct the survey without legislation. The bill was held in the Assembly.

CURRENT PRACTICE

Use of Projected Service and Unused Sick Leave to Qualify for Benefit Enhancements

The DB Program benefit formula pays an allowance equal to two percent of final compensation for each year of service at age 60. This age factor increases for members who retire after age 60, up to 2.4 percent at age 63. For members with 30 or more years of credited service, an additional 0.2 percent of final compensation per year of credited service is added. In addition, a longevity bonus is added to the monthly, unmodified retirement allowance of members who accumulate at least 30 years of service credit prior to January 1, 2011. For 30 years of service credit, a member would receive a monthly increase of \$200; for 31 years, an increase of \$300; for 32 years, an increase of \$400.

Currently, for purposes of determining eligibility for these enhancements, credited service does not include (1) “projected service”, which is defined as the sum of credited service plus the credited service that would have been earned for the school years during the which a disability allowance was payable if the member had performed creditable service during that time, (2) the amount of accumulated sick leave that has not been used at the time of retirement, (3) Golden Handshake service or (4) nonqualified service.

Modify Options 6 and 7 To Permit Members Who Pop-Up to Name a New Beneficiary and Report to the Legislature on the Efficacy of the Current Options

A member’s unmodified allowance (equal to a percentage, based on the age of retirement, of final compensation, multiplied by the number of years of service credit, plus a longevity bonus, if eligible) ceases to be paid when the member dies. A member may elect to modify that allowance by electing an option, which continues to pay an allowance to a named beneficiary or beneficiaries after the member dies. The member may select from six different options. Members also may elect that option at the time the member is eligible to retire in order to provide an improved survivor benefit if the member dies before retirement.

Under Options 2 and 3, the beneficiary receives 100 percent and 50 percent, respectively, of the member’s allowance at the time of death. If the beneficiary dies before the member, the member may select a new option and/or beneficiary. Options 4 and 5 pay a reduced benefit when either the member or the beneficiary dies. Options 6 and 7 pay the same percentage of the allowance paid under Options 2 and 3, respectively, but if the beneficiary dies first, the member’s allowance increases, or “pops-up” to the unmodified level, and no new beneficiary can be named.

Acquire and Develop Surplus Land Owned by School Districts

Existing law requires that CalSTRS assets be held for the exclusive purposes of providing benefits to CalSTRS members. As a public pension fund, CalSTRS is not subject to the federal Employee Retirement Income Security Act (ERISA), which governs corporate pension plans.

However, CalSTRS' investment decision-making criteria are based on the "prudent expert" standard, upon which ERISA is based. The Teachers' Retirement Law (TRL) imposes additional limitations on investment transactions that directly or indirectly involve a CalSTRS member or employer. Specifically, CalSTRS may not engage in a transaction involving the sale, exchange or leasing of property, lending of money, furnishing of goods or services or transfer to a CalSTRS member if the financial consideration is less than adequate to CalSTRS.

The TRL also prohibits any acquisition of any security, real property or loan of any CalSTRS employer, even if, from CalSTRS' perspective, adequate financial consideration is given for the transaction. The California Public Employees' Retirement System (CalPERS) has no similar statutory restriction on investment activity benefiting an employer, nor are such investments entirely prohibited under ERISA. This prohibition on investments concerning employers excludes a universe of potentially prudent investment opportunities in school districts and community college districts that could add value to the portfolio and the membership.

DISCUSSION

Use of Projected Service and Unused Sick Leave to Qualify for Benefit Enhancements

Under the bill, projected service, and up to .2 years of unused sick leave (equal to 36 working days for a member with a 180-day annual contract), would be used in determining eligibility for benefit enhancements (such as the career factor, highest year final compensation and the longevity bonus) that are based on accruing specified levels of service credit. The use of projected service would apply only to members who received a disability allowance and then returned to active service, for a minimum of one year, before retiring. The purpose for establishing a minimum service requirement is to prevent a person from returning to work for a de minimis period of time, without any real change in the person's disability status, simply for the purpose of receiving the enhanced benefit.

CalSTRS estimates that about 120 members would qualify for the enhanced benefits if projected service were counted. The number of members affected by the proposal to count a portion of unused sick leave in determining eligibility for benefit enhancements is expected to be small because this change would only apply to members who were within .2 years of qualifying for a benefit enhancement. The Board is currently sponsoring the proposal to count projected service towards qualifying for benefit enhancements.

The benefit enhancements were intended to reward members who provide an extended career. Using projected service when a person returns to work recognizes the likelihood that the person would have earned the benefit enhancements if the person had not become disabled. Similarly, members who have unused sick leave perform more service than do members who use up their sick leave, and counting at least a portion of that unused sick leave would reward member for providing that additional service.

Modify Options 6 and 7 To Permit Members Who Pop-Up to Name a New Beneficiary and Report to the Legislature on the Efficacy of the Options

This bill modifies Options 6 and 7 to permit members who pop-up to the unmodified allowance to name a new beneficiary. Currently, a member may not name a new option beneficiary under

Options 6 and 7 after the beneficiary dies. This change would be consistent with choices available to members under Options 2, 3, 4 and 5, which allow a member to choose a new option beneficiary after the death of the original beneficiary.

The bill also requires the Board to report to Legislature on or before January 1 of an unspecified year to evaluate the existing options and to make any appropriate recommendations to change the options based on the needs of the members and beneficiaries. The report will consider changes to the current option structure and will analyze changes needed to provide economic security of beneficiaries while at the same time reducing the complexity of the current options. There are seven options available to members (including the unmodified allowance), each of which has different effects on the allowance of the member and his or her beneficiaries. CalSTRS has found that the number of options offered confuses members, which makes it difficult for members to determine which option best suits their individual circumstances. Under the bill, CalSTRS would evaluate alternative option choices that enable the member to have nearly equivalent choices without the same amount of confusion.

Acquire and Develop Surplus Land Owned by School Districts

SB 1983 allows CalSTRS to make investments related to the acquisition, planning, and development of surplus land owned by CalSTRS employers. It also requires that any such transaction satisfy the general fiduciary standards established in the TRL and Section 503 of the Internal Revenue Code, which prohibits the system from acquiring any security, real property or loan from an employer for more than adequate consideration. The Board is currently sponsoring this proposal.

This proposal conforms the restriction on investments in property owned by employers to those imposed on transactions concerning members, as well as standards imposed on CalPERS and corporate pensions under ERISA. Under the bill, Board members and other statutory fiduciaries for the System would be required to exercise the same care, skill, prudence and diligence for investments in employing agencies as when investing in other securities, as outlined in existing law, the Investments Committee Charter, and the Investment Management Plan.

Under current law, prudent investment opportunities involving surplus land held by school districts and community college districts that could add value to the portfolio and the membership will be lost. The System would be able to participate in limited partnerships and joint ventures to acquire, develop and sell these properties, or, lease back to the districts themselves.

FISCAL IMPACT

Benefit Program Costs – Unused sick leave credit

The System Actuary estimates that the total present value cost of authorizing the use of up to .20 years of unused sick leave to qualify for enhanced benefits would be \$58 million. The annual revenue needed to support this proposal is \$5 million, beginning in fiscal year 2003-04.

Projected service credit

Allowing the use of projected service credit to count towards enhanced benefits would have a total cost of approximately \$42 million. In addition, the annual revenue required to support this proposal over a 30-year period is \$4 million, beginning in 2003-04.

Modify Options 6 and 7

The total costs of authorizing members to choose a new beneficiary after they pop-up to an unmodified allowance under Options 6 and 7 is expected to be minor.

Administrative Costs – The cost of the required changes to the System's corporate database is expected to exceed \$150,000.

RECOMMENDATION

Sponsor. The Board is already sponsoring the provisions concerning the use of projected service in benefit enhancements and investments in employer property. This bill is consistent with the Board's previous actions to enhance the services provided to CalSTRS members.

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
2001-2002 Regular Session – May 15, 2002

<u>BILL NO.</u>	<u>INFORMATION</u>
AB 131	<p>AUTHOR: Assembly Member Corbett TITLE: State conformity to EGTRRA rollover and service credit provisions LOCATION: Chapter 30 BOARD POSITION: Support, if amended*</p> <p>SUMMARY: Conforms California law to the rollover and service credit purchase provisions of EGTRRA. Permits members retiring in 2002 to purchase service credit with newly authorized rollover funds.</p> <p>COSTS: Benefit program – None Administrative – Minor and absorbable</p> <p>P – None known O – None known</p>
AB 979	<p>AUTHOR: Assembly Member Cedillo TITLE: Paid contribution for military leave AMENDED: 5/9/02 LOCATION: Senate Appropriations BOARD POSITION: Support (Staff recommendation)</p> <p>SUMMARY: Exempts Defined Benefit (DB) Program members and Cash Balance (CB) Benefit Program participants called to military service from paying member contributions for up to one year – in effect September 11, 2001 to July 30, 2005.</p> <p>COSTS: Benefit program – Total costs are approximately \$407,000 Administrative – Minor and absorbable</p> <p>P – CFT, CSEA, CA State Firefighters' Association, CA/NV Conference of Operating Engineers, SEIU O – None known</p>

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
2001-2002 Regular Session – May 15, 2002

<u>BILL NO.</u>	<u>INFORMATION</u>
AB 1122	<p>AUTHOR: Assembly Member Corbett TITLE: Conformity with federal tax changes to pension law LOCATION: Chapter 35 BOARD POSITION: Support*</p> <p>SUMMARY: Among other things, conforms California law to the retirement plan provisions of the federal Economic Growth and Tax Relief Reconciliation Act of 2001.</p> <p>COSTS: Benefit program – None</p> <p>Administrative – Total one-time cost for implementation is \$360,000. Ongoing cost of less than \$100,000 per year.</p> <p>P – Governor Davis O – None known</p>
AB 1710	<p>AUTHOR: Assembly Member Negrete McLeod TITLE: Part-time community college employee retirement plans AMENDED: 2/20/02 LOCATION: Senate Floor BOARD POSITION: Support*</p> <p>SUMMARY: Requires community college districts to offer an alternative retirement plan and Social Security to all their part-time employees. Alternative retirement plans would impose a minimum employer contribution of 4 percent of the employee's salary and a minimum total contribution rate of 8 percent.</p> <p>COSTS: Benefit program – No increased costs – potential annual employer savings of \$900,000.</p> <p>Administrative – Implementation costs of \$50,000</p> <p>P – FACCC O – None known</p>

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
2001-2002 Regular Session – May 15, 2002

<u>BILL NO.</u>	<u>INFORMATION</u>
AB 1743	<p>AUTHOR: Assembly Member John Campbell TITLE: State conformity to EGTRRA AMENDED: 1/29/02 LOCATION: Assembly Revenue and Taxation BOARD POSITION: Support*</p> <p>SUMMARY: Among other things, conforms California law to the retirement plan provisions of the federal Economic Growth and Tax Relief Reconciliation Act of 2001.</p> <p>COSTS: Benefit program – None</p> <p>Administrative – Total one-time cost for implementation is \$360,000. Ongoing cost of less than \$100,000 per year.</p> <p>P – None known O – None known</p>
AB 1744	<p>AUTHOR: Assembly Member Corbett TITLE: State conformity to EGTRRA rollover and service credit provisions AMENDED: 1/31/02 LOCATION: Assembly Appropriations BOARD POSITION: Support, if amended*</p> <p>SUMMARY: Conforms California law to the rollover and service credit purchase provisions of EGTRRA. Permits members retiring in 2002 to purchase service credit with newly authorized rollover funds.</p> <p>COSTS: Benefit program – None</p> <p>Administrative – Minor and absorbable</p> <p>P – None known O – None known</p>

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
2001-2002 Regular Session – May 15, 2002

<u>BILL NO.</u>	<u>INFORMATION</u>
AB 1995	<p>AUTHOR: Assembly Member Correa TITLE: Provision of non-audit services</p> <p>AMENDED: 5/13/02 LOCATION: Assembly Floor BOARD POSITION: Support (Staff recommendation)</p> <p>SUMMARY: Prohibits a California accountant from certifying corporate financial statements if his or her accounting firm performs non-audit services for their client, other than tax preparation and SEC document review.</p> <p>COSTS: Benefit program – None Administrative – None</p> <p>P – CALPIRG, Center for Public Interest Law, Congress of CA Seniors, Consumer Attorneys of CA, Consumers Union, Foundation for Taxpayer and Consumer Rights O – CA Chamber of Commerce, CA Society of Certified Public Accountants, Deloitte & Touche LLP, Ernst & Young LLP, KPMG LLP, PricewaterhouseCoopers LLP</p>
AB 2137	<p>AUTHOR: Assembly Member Lowenthal TITLE: Additional credited service for teaching in low performance schools LOCATION: Assembly PER&SS BOARD POSITION: Pending</p> <p>SUMMARY: Provides two additional years of service credit, at employer expense, to specified members with National Board certification who perform three years of credited service after January 1, 2003 in a low performing school.</p> <p>COSTS: Benefit program – Increased costs paid by employer Administrative – Pending</p> <p>P – None known O – None known</p>

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
2001-2002 Regular Session – May 15, 2002

<u>BILL NO.</u>	<u>INFORMATION</u>
AB 2174	<p>AUTHOR: Assembly Member Lowenthal TITLE: Actuarial age factors LOCATION: Assembly PER&SS BOARD POSITION: Pending</p> <p>SUMMARY: Changes age factors for new members to factors that are actuarially adjusted. (Spot bill)</p> <p>COSTS: Benefit program – None Administrative – None</p> <p>P – CTA O – None known</p>
AB 2451	<p>AUTHOR: Assembly Member Salinas TITLE: Sick leave credit for part-time employees AMENDED: 4/23/02 LOCATION: Assembly Appropriations BOARD POSITION: Support*</p> <p>SUMMARY: Permits part-time community college employees to have value of unused sick leave at the time of retirement credited, at employer expense, to their existing alternative retirement plan account or Cash Balance Benefit Program account.</p> <p>COSTS: Benefit program – Increased cost paid by employer Administrative – Potential one-time cost of \$150,000.</p> <p>P – FACCC O – None known</p>

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
2001-2002 Regular Session – May 15, 2002

<u>BILL NO.</u>	<u>INFORMATION</u>
AB 2506	<p>AUTHOR: Assembly Member Steinberg TITLE: Tax-deferred investment product certification AMENDED: 4/11/02 LOCATION: Assembly Appropriations BOARD POSITION: Support, if amended*</p> <p>SUMMARY: Establishes program in CalSTRS to register tax-deferred investment products that may be offered by school districts and county offices of education to their employees.</p> <p>COSTS: Benefit program – None</p> <p>Administrative – Total one-time cost of \$500,000 and annual ongoing costs of \$75,000, reimbursed by vendor fees.</p> <p>P – UTLA O – None known</p>
AB 2646	<p>AUTHOR: Assembly Member Liu TITLE: One-year final compensation LOCATION: Assembly Appropriations BOARD POSITION: Support, if amended*</p> <p>SUMMARY: Eliminates the 25-year credited service requirement to base final compensation on the highest 12 consecutive months.</p> <p>COSTS: Benefit program – Present value cost of \$2.0 billion over 30 years</p> <p>Administrative – Pending</p> <p>P – ACSA, CFT, CTA O – None known</p>

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
2001-2002 Regular Session – May 15, 2002

<u>BILL NO.</u>	<u>INFORMATION</u>
AB 2767	<p>AUTHOR: Assembly Member Pavley TITLE: Study on GPO and WEP AMENDED: 4/24/02 LOCATION: Assembly Appropriations BOARD POSITION: Support (Staff recommendation)</p> <p>SUMMARY: Requires the Legislative Analyst's Office (LAO) to conduct study of the impact of the Windfall Elimination Provision and the Government Pension Offset to Social Security before July 1, 2004. It also requires the study to recommend specific actions that the State can take to mitigate and reduce the impact of the WEP and GPO on teachers and retired teachers in California.</p> <p>COSTS: Benefit program – None Administrative – Minor and absorbable</p> <p>P – Author O – None known</p>
AB 2970	<p>AUTHOR: Assembly Member Wayne TITLE: Auditor "cooling-off" period AMENDED: 4/29/02 LOCATION: Assembly Floor BOARD POSITION: Support (Staff recommendation)</p> <p>SUMMARY: Requires a two-year cooling-off period before an independent auditor may accept a senior-management job with a former audit client.</p> <p>COSTS: Benefit program – None Administrative – None</p> <p>P – CALPIRG, CPIL, Congress for California Seniors, Consumer Attorneys of California, Consumer Federation of California, Consumers Union O – None known</p>

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
2001-2002 Regular Session – May 15, 2002

<u>BILL NO.</u>	<u>INFORMATION</u>
AB 2982	<p>AUTHOR: Assembly PER&SS Committee TITLE: CalSTRS technical housekeeping AMENDED: 4/8/02 LOCATION: Senate (Not yet assigned) BOARD POSITION: Sponsor*</p> <p>SUMMARY: Makes a variety of technical and conforming changes to the Teachers' Retirement Law to improve system administration.</p> <p>COSTS: Benefit program – None Administrative – None</p> <p>P – CalSTRS O – None known</p>
ACR 55	<p>AUTHOR: Assembly Member Migden TITLE: Shareholder resolutions on costs of AIDS drug treatments AMENDED: 3/7/02 LOCATION: Assembly PER&SS BOARD POSITION: Pending</p> <p>SUMMARY: Encourages California's public employee retirement systems to support shareholder resolutions to reduce HIV and AIDS drug costs in less developed countries.</p> <p>COSTS: Benefit program – None Administrative – None</p> <p>P – None known O – None known</p>

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
2001-2002 Regular Session – May 15, 2002

<u>BILL NO.</u>	<u>INFORMATION</u>
SB 461	<p>AUTHOR: Senator Torlakson TITLE: Catastrophic Prescription Drug Insurance Program AMENDED: 1/29/02 LOCATION: Assembly PER&SS BOARD POSITION: Support, if amended* (prior version)</p> <p>SUMMARY: Creates a catastrophic Prescription Drug Insurance Program to provide high deductible coverage for prescription drugs to retired members of the Defined Benefit (DB) Program with unspecified minimum levels of credited service.</p> <p>COSTS: Benefit program – Present value cost of \$425 million to \$650 million over 10 years, depending on plan features</p> <p style="padding-left: 100px;">Administrative – At least \$1 million in implementation costs</p> <p>P – ACSA, CFT, CRTA, CTA, FACCC O – None known</p>
SB 657	<p>AUTHOR: Senator Scott TITLE: State conformity to EGTRRA LOCATION: Chapter 34 BOARD POSITION: Support*</p> <p>SUMMARY: Among other things, conforms California law to the retirement plan provisions of the federal Economic Growth and Tax Relief Reconciliation Act of 2001.</p> <p>COSTS: Benefit program – None</p> <p style="padding-left: 100px;">Administrative – Total one-time cost for implementation is \$360,000. Ongoing cost of less than \$100,000 per year.</p> <p>P – CalPERS, Cal-Tax, California Society of Enrolled Agents, Great West Life and Annuity Insurance Company, San Benito County, San Luis Obispo County, Santa Cruz County, Valley Center Municipal Water District O – None known</p>

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
2001-2002 Regular Session – May 15, 2002

<u>BILL NO.</u>	<u>INFORMATION</u>
SB 728	<p>AUTHOR: Senator Machado TITLE: Memorandum of Understanding LOCATION: Chapter 14 BOARD POSITION: No Position*</p> <p>SUMMARY: Ratifies collective bargaining agreements that temporarily reduce member contributions rates to specified state members of CalSTRS and CalPERS.</p> <p>COSTS: Benefit program – Minor and absorbable Administrative – Minor and absorbable</p> <p>P – DPA O – SPB</p>
SB 1020	<p>AUTHOR: Senator Escutia TITLE: Middle school extended year AMENDED: 6/4/01 LOCATION: Assembly Education BOARD POSITION: No Position*</p> <p>SUMMARY: Offers state fiscal incentives to school districts with schools that increase the school year in grades seven and eight and either grade six or nine by 20 days, or other specified days and hours for year round schools.</p> <p>COSTS: Benefit program – Amortized cost of \$1 billion over 30 years from increased final compensation. Administrative – Minor and absorbable</p> <p>P – California League of Middle Schools, California Manufacturers and Technology Association, Long Beach Unified School District O – CTA, UTLA</p>

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
2001-2002 Regular Session – May 15, 2002

<u>BILL NO.</u>	<u>INFORMATION</u>
SB 1256	<p>AUTHOR: Senator Brulte TITLE: State conformity to EGTRRA AMENDED: 4/1/02 LOCATION: Senate Revenue and Taxation BOARD POSITION: Support*</p> <p>SUMMARY: Among other things, conforms California law to the retirement plan provisions of the federal Economic Growth and Tax Relief Reconciliation Act of 2001.</p> <p>COSTS: Benefit program – None</p> <p>Administrative – Total one-time cost for implementation is \$360,000. Ongoing cost of less than \$100,000 per year.</p> <p>P – Hesperia Unified School District O – None known</p>
SB 1315	<p>AUTHOR: Senator Sher TITLE: Centralized purchasing of prescription drugs AMENDED: 5/15/02 LOCATION: Senate Appropriations BOARD POSITION: Support*</p> <p>SUMMARY: Requires specified agencies to join a statewide pool to purchase prescription drugs at a reduced cost and permits other state agencies, such as CalSTRS, to participate in pool.</p> <p>COSTS: Benefit program – None</p> <p>Administrative – None</p> <p>P – California Public Interest Research Group O – None known</p>

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
2001-2002 Regular Session – May 15, 2002

<u>BILL NO.</u>	<u>INFORMATION</u>
SB 1318	<p>AUTHOR: Senator Karnette TITLE: Employer payment of member contributions AMENDED: 4/1/02 LOCATION: Assembly PER&SS BOARD POSITION: Support *</p> <p>SUMMARY: Allows an employer to pay all or part of a member's contributions to the DB and DBS Programs.</p> <p>COSTS: Benefit program – None Administrative – Minor and absorbable</p> <p>P – FACCC, UTLA O – None known</p>
SB 1527	<p>AUTHOR: Senator Burton TITLE: Provision of non-audit services</p> <p>AMENDED: 4/16/02 LOCATION: Senate Appropriations BOARD POSITION: Support (Staff recommendation)</p> <p>SUMMARY: Prohibits a California accountant from certifying corporate financial statements if their accounting firm performs non-audit services for their client, other than tax preparation and SEC document review.</p> <p>COSTS: Benefit program – None Administrative – None</p> <p>P – Consumers Union, Consumer Attorneys of California, Consumer Federation of California O – CA Manufacturers and Technology Association, CA Society of Certified Public Accountants, Deloitte & Touche LLP, Ernst & Young LLP, KPMG LLP, PricewaterhouseCoopers LLP</p>

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
2001-2002 Regular Session – May 15, 2002

<u>BILL NO.</u>	<u>INFORMATION</u>
SB 1580	<p>AUTHOR: Senator Burton TITLE: Teachers' Retirement Board elections AMENDED: 4/1/02 LOCATION: Senate Appropriations BOARD POSITION: No position*</p> <p>SUMMARY: Requires the four members of the Teachers' Retirement Board that are appointed by the Governor to represent active and retired CalSTRS members to be elected by the members of the constituent group to which they belong.</p> <p>COSTS: Benefit program – None</p> <p>Administrative – Average annual costs for one four-year election cycle would be approximately \$240,000.</p> <p>P – CFT O – None known</p>
SB 1746	<p>AUTHOR: Senator Polanco TITLE: Conflicts of interest for Board members AMENDED: 5/1/02 LOCATION: Senate Floor BOARD POSITION: No position*</p> <p>SUMMARY: Expresses legislative intent that an elected official of a local agency may be appointed to a California public retirement board.</p> <p>COSTS: Benefit program – None</p> <p>Administrative – None</p> <p>P – Author O – None known</p>

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
2001-2002 Regular Session – May 15, 2002

<u>BILL NO.</u>	<u>INFORMATION</u>
SB 1983	<p>AUTHOR: Senator Soto TITLE: CalSTRS program changes AMENDED: 4/10/02 LOCATION: Senate Appropriations BOARD POSITION: Sponsor (Staff recommendation)</p> <p>SUMMARY: Counts projected service and unused sick leave credits in qualifying for career-based benefit enhancements; modifies Options 6 and 7 to allow a member to choose an option beneficiary upon the death of the beneficiary and permits the Board to make investments related to employer-owned real estate, consistent with the Board's fiduciary duty and to the extent permitted under federal law.</p> <p>COSTS: Benefit program – Total present value cost of \$100 million over 30 years (\$42 million for projected service and \$58 million for unused sick leave).</p> <p>Administrative – None</p> <p>P – CalSTRS, ACSA, CTA, CRTA O – None known</p>
SCA 2	<p>AUTHOR: Senator Burton TITLE: Legislative oversight over public pension support budgets LOCATION: Senate PE&R BOARD POSITION: Pending</p> <p>SUMMARY: Requires that expenditures for personnel, operating expenses and equipment for CalSTRS and CalPERS be approved in the annual Budget Act beginning in 2003-04, and authorizes the Governor and Legislature to request an independent actuarial review of CalSTRS and CalPERS.</p> <p>COSTS: Benefit program – None</p> <p>Administrative – Minor and absorbable</p> <p>P – None known O – None known</p>

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LEGISLATIVE SUMMARY – REGULAR BOARD
2001-2002 Regular Session – May 15, 2002

<u>BILL NO.</u>	<u>INFORMATION</u>
SJR 9	<p>AUTHOR: Senator Costa TITLE: Foreign investments LOCATION: Senate B, C & IT BOARD POSITION: Support, if amended*</p> <p>SUMMARY: Requests that the President and Congress identify and place on a federal list, investments in foreign countries and businesses that pose a threat to the national security interests of the U.S. and to encourage appropriate federal measures to deny these entities access to capital from the U.S.</p> <p>COSTS: Benefit program – None Administrative – No direct fiscal impact</p> <p>P – CalPERS O – None known</p>
SR 22	<p>AUTHOR: Senator Dunn TITLE: Investments in wholesale energy companies LOCATION: Senate E, U & C BOARD POSITION: No position, if amended (Staff recommendation)</p> <p>SUMMARY: Requests that each state agency, including CalSTRS, consider whether or not to continue to own stocks, shares or other financial investments in or participate in a joint venture or partnership with any wholesale energy related business that has refused to comply with a subpoena issued by the Senate Select Committee to Investigate Price Manipulation of the Wholesale Energy Market.</p> <p>COSTS: Benefit program – None Administrative –None</p> <p>P – None known O – None known</p>

LEGEND OF ABBREVIATIONS

P = PROPONENTS O = OPPONENTS

ABBREVIATION

ORGANIZATION

AARP	American Association of Retired Persons, State Legislative Committee
AALA	Associated Administrators of Los Angeles
ACCCA	Association of California Community College Administrators
ACSA	Association of California School Administrators
AFSCME	American Federation of State, County and Municipal Employees
AFT	American Federation of Teachers
AGENCY	State and Consumer Services Agency
A.R.E.	Association of Retirees for Equity
ART	Association of Retired Teachers
BOE	Board of Equalization
BOG	Board of Governors, California Community Colleges
Cal-Tax	California Taxpayers Association
CalPERS	California Public Employees' Retirement System
CalSTRS	California State Teachers' Retirement System
CALPIRG	California Public Interest Research Group
CASBO	California Association of School Business Officials
CCA	Community College Association
CCAE	California Council for Adult Education
CCC	California Community Colleges
CCD	Community College District
CCPOA	California Correctional Peace Officers Association
CDE	California Department of Education
CFA	California Faculty Association
CFT	California Federation of Teachers
CNEC	California Network of Educational Charters
CPCA	California Police Chiefs' Association
CPFFA	California Professional Firefighters Association
CPIL	Center for Public Interest Law
CRTA	California Retired Teachers Association
CSAC	California State Association of Counties
CSBA	California School Boards Association
CSEA	California School Employees Association
CSL	California Senior Legislature
CSU	California State University
CTA	California Teachers Association
DOE	Department of Education
DOF	Department of Finance
DGS	Department of General Services
DPA	Department of Personnel Administration

LEGEND OF ABBREVIATIONS

P = PROPONENTS O = OPPONENTS

ABBREVIATION

ORGANIZATION

EGTRRA	Economic Growth and Tax Relief Reconciliation Act of 2001
FACCC	Faculty Association of California Community Colleges
F.A.I.R.	Faculty Attempting to Improve Retirement
FCPHE	Faculty Coalition for Public Higher Education
FTB	Franchise Tax Board
LACCD	Los Angeles Community College District
LADSA	Los Angeles Deputy Sheriffs' Association
LAUSD	Los Angeles Unified School District
OCDE	Orange County Department of Education
PARS	Public Agency Retirement System
PERF	Public Employees Retirement Fund
PORAC	Peace Officers Research Association of California
RPEA	Retired Public Employees Association
SACRS	State Association of County Retirement Systems
SBMA	Supplemental Benefit Maintenance Account
SCSA	State and Consumer Services Agency
SDCOE	San Diego County Office of Education
SEIU	Service Employees International Union
SLC	State Lands Commission
SSC	School Services of California
SSDA	Small School Districts' Association
START	State Teachers' Automation Redesign Team
TRB	Teachers' Retirement Board
TRF	Teachers' Retirement Fund
TRL	Teachers' Retirement Law
UTLA	United Teachers of Los Angeles

STANDING COMMITTEES OF THE ASSEMBLY/SENATE

Assembly PER&SS	Assembly Public Employees, Retirement and Social Security Committee
Senate B, C&IT	Senate Banking, Commerce and International Trade Committee
Senate E, U & C	Senate Energy, Utilities and Communication Committee
Senate PE&R	Senate Public Employment and Retirement Committee